

MINGYUAN MEDICARE DEVELOPMENT COMPANY LIMITED

銘源醫療發展有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00233)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

The Board of Directors (the “Directors”) of Mingyuan Medicare Development Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2006, together with the comparative figures for the corresponding period of 2005 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30th June	
		2006	2005
	Notes	HK\$'000	HK\$'000
			(Restated)
Turnover	2	90,408	127,583
Cost of sales		(21,057)	(65,538)
Gross Profit		69,351	62,045
Other operating income	3	19,250	12,204
Selling and distribution expenses		(3,967)	(4,879)
Administrative expenses		(18,778)	(22,215)
Profit from operations	4	65,856	47,155
Finance costs	5	(8,678)	(6,879)
Profit before taxation		57,178	40,276
Taxation	6	(8,645)	(18)
Profit for the period		48,533	40,258
Attributable to:			
Equity holders of the parent		48,803	40,103
Minority interest		(270)	155
		48,533	40,258
Dividend	7	26,881	–
Earning per share (cents)	8		
Basic		1.82	1.49
Diluted		1.85	1.58

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30th June 2006 HK\$'000 (Unaudited)	31st December 2005 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		126,656	118,487
Prepaid lease payment		37,799	38,198
Goodwill		47,115	47,115
		<u>211,570</u>	<u>203,800</u>
Current assets			
Prepaid lease payment		796	796
Inventories		14,691	13,971
Trade and other receivables, deposits and prepayment	9	64,033	73,070
Loans and interest receivables		–	269
Pledged bank deposit		–	190
Bank balances and cash		544,661	489,085
		<u>624,181</u>	<u>577,381</u>
Current liabilities			
Trade and other payables	10	19,802	13,400
Amount due to related companies		95	6,728
Bank borrowing – due within one year		56,209	47,962
Taxation payable		6,555	191
		<u>82,661</u>	<u>68,281</u>
Net current assets		<u>541,520</u>	509,100
		<u>753,090</u>	<u>712,900</u>
Capital and reserves			
Share capital		134,405	134,405
Reserves		412,218	357,844
Equity attributable to equity holders of the parent		546,623	492,249
Minority Interests		7,321	8,921
Total equity		<u>553,944</u>	<u>501,170</u>
Non-current liability			
Bank borrowings – due after one year		12,875	28,577
Convertible bonds		186,271	183,153
		<u>199,146</u>	<u>211,730</u>
		<u>753,090</u>	<u>712,900</u>

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the Group’s annual audited financial statements for the year ended 31st December, 2005. The 2005 comparative figures for the unaudited condensed consolidated profit and loss account have been reclassified to conform with the current period’s presentation.

2. SEGMENTAL INFORMATION

Business segment

For management purposes, the Group is organized into the following divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group’s turnover and contribution to operating results is as follows:

	Discontinuing operations		Continuing operations				Consolidation	
	Property investment division		Protein chips division		IT products and services division		Six months ended	
	30th June 2006	30th June 2005	30th June 2006	30th June 2005	30th June 2006	30th June 2005	30th June 2006	30th June 2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)		(Restated)		(Restated)
REVENUE								
External sales	–	10,888	77,492	66,172	12,916	50,523	90,408	127,583
RESULTS								
Segment results	–	(250)	55,838	49,170	(169)	78	55,669	48,998
Unallocated expenses							(8,523)	(18,761)
Interest income							7,432	196
Gain on disposal of property, plant and equipment			11,278	16,722			11,278	16,722
Finance costs							(8,678)	(6,879)
Profit before taxation							57,178	40,276
Taxation							(8,645)	(18)
Profit for the period							48,533	40,258

Geographical segments

The following table presents turnover for the Group's Geographical segment:

	Unaudited Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000 (Restated)
Revenue		
Hong Kong	375	15,872
The People's Republic of China	90,033	111,389
North America	–	322
	<u>90,408</u>	<u>127,583</u>

3. OTHER OPERATING INCOME

	Unaudited Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000 (Restated)
Interest income	7,432	195
Realized (loss) on investment in securities	–	(4,895)
Gain on disposal of property, plant and equipment	11,278	16,722
Others	540	182
	<u>19,250</u>	<u>12,204</u>

4 PROFIT FROM OPERATION

	Unaudited Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000 (Restated)

Profit before taxation has been arrived at after charging:

Depreciation	2,370	876
Staff costs		
– directors' remuneration	2,067	3,701
– other staff costs	4,835	4,649
– share-based payments	2,153	4,196
– retirement benefits scheme contributions, excluding directors	23	24
	<u>9,078</u>	<u>12,570</u>
Total staff costs		
	<u>9,078</u>	<u>12,570</u>
Auditor's remuneration	500	300
Loss on disposal of investments in securities held for trading included in other operating expenses	–	(4,895)

and after crediting:

Net rental income in respect of premises (2005: outgoings of approximately HK\$47,000)	–	69
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5 FINANCE COSTS

	Unaudited	
	Six months ended 30th June	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
		(Restated)
Interest on bank borrowings wholly repayable in five years	2,596	1,270
Interest on convertible bonds	<u>6,082</u>	<u>5,609</u>
	<u>8,678</u>	<u>6,879</u>

6 TAXATION

Hong Kong Profits tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

Taxation arising in other jurisdiction is calculated at the rates of tax prevailing in the relevant jurisdictions. Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Unaudited	
	Six months ended 30th June	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
		(Restated)
Hong Kong Profits Tax	–	–
Taxation charge in other jurisdictions	<u>(8,645)</u>	<u>(18)</u>
	<u>(8,645)</u>	<u>(18)</u>

7 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the equity holders of the parent is based on the following data:

	Unaudited	
	Six months ended 30th June	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
		(Restated)
Earnings		
Profit for the year attributable to the equity holders of the parent and earnings for the purpose of basic earnings per share	48,803	40,103
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	<u>6,082</u>	<u>5,609</u>
Earnings for the purpose of diluted earnings per share	<u>54,885</u>	<u>45,712</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,688,107,099	2,688,096,230
Effect of dilutive potential ordinary shares:		
– share options	–	144,751
– convertible bonds	<u>277,763,889</u>	<u>210,224,558</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,965,870,988</u>	<u>2,898,465,539</u>

8. DIVIDEND

The Directors has declared an interim dividend of HK\$26,881,000 (2005: Nil). This amount will be accounted for as an appropriation of reserve in the year ending 31st December, 2006.

9. TRADE AND OTHER RECEIVABLES

Include in trade and other receivables are trade receivables of HK\$40,397,000 (31st December, 2005: HK\$53,903,000). The Group normally allows a credit period of 60 days to its trade customers. An aging analysis of the trade receivables is as follows:

	30th June 2006 HK\$'000 (Unaudited)	31st December 2005 HK\$'000 (Audited)
0-60 days	24,238	32,026
61-90 days	10,099	11,301
Over 90 days	8,722	13,238
	<hr/>	<hr/>
	43,059	56,565
Less: Allowances for bad and doubtful debts	(2,662)	(2,662)
	<hr/>	<hr/>
	40,397	53,903

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$4,594,000 (31st December, 2005: HK\$3,201,000). The aging analysis of trade payable is as follows:

	30th June 2006 HK\$'000 (Unaudited)	31st December 2005 HK\$'000 (Audited)
0-60 days	2,757	2,605
61-90 days	1,049	104
Over 90 days	788	492
	<hr/>	<hr/>
	4,594	3,201
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BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Market Review

The Chinese economy continues to experience respectable growth and in the first half of 2006, the economy recorded a GDP growth at 10.9 percent reaching RMB9.14 trillion. It is estimated that the overall GDP growth rate for 2006 will exceed 8.8 percent.

The Chinese economy is expected to grow at an annual rate of 8 percent during the 11th Five-Year Plan from 2006 to 2010. It is expected that future economic development in China will continue to be fuelled by the rapid growth of fixed asset investment, backed by the high savings and inflow of foreign investment.

The per capita income of urban and rural residents grew by annual averages of 9.2 percent and 5.2 percent from 2001 to 2005. Improvement in standard of living also changes the habit of expenditures from food and clothing to healthcare, transportation, telecommunications, education, entertainment and housing. The improved standard of living and the increase in healthcare consciousness increased spending on healthcare products and services.

Business Review

The Group continues to implement business plans and strategies in accordance with the KM2003 Objectives for the 3rd year as stipulated in the 2003 Annual Report with an intention to strengthen its leading position as a bio-medical solution provider and protein chip supplier in China, one of the largest, fastest growing and most promising markets in the world for healthcare products and services.

The net profit attributable to shareholders amounted to HK\$48.8 million (2005 (restated): HK\$40.1 million), representing an increase of 21.7 percent over that of last corresponding period. The increase was due to the significant increase in contribution from the protein chips division. Earnings per share was HK1.82 cents (2005 (restated): HK1.49 cents), representing an increase of approximately 22.1 percent.

Protein Chips

Turnover contributed by the sale of C12 products and related equipment amounted to HK\$77.5 million (2005 (restated): HK\$66.2 million), representing an increase of approximately 17.1 percent over that of last corresponding period. More importantly, segment profits of the protein chips division amounted to HK\$55.8 million (2005 (restated): HK\$49.2 million), representing an increase of approximately 13.4 percent over that of last corresponding period.

The Group continued to experience significant growth in the first half of this year and the Group sold a total of 746,535 protein chips (2005: 612,548), representing an increase of 21.9 percent over that of last corresponding period. During the period under review, the Group continued to enlarge its sales network to life insurance companies particularly with Ping An Life and China Life group of companies and branches in China. While it is taking more time to establish the operational arrangements including training and maintenance, the Group expects that sales to life insurance companies would grow significantly and steadily in the foreseeable future.

As described in the 2005 Annual Report, the Group continued its commitment to implement its sales plan that includes the expansion of sales network, optimization of chipreader utilization rate and diversification of chipset packaging.

IT Products and Services

Turnover contributed by this division amounted to HK\$12.9 million (2005: HK\$50.5 million), representing a significant drop of 74.5 percent over that of last corresponding period. As discussed in the 2003 annual report, the Group continues to reduce resources allocated to this division and the division incurred a segment loss of HK\$169,000 (2005; profit of HK\$78,000) during the period under review.

Corporate Review

Acquisition of Shanghai Weiyi Hospital

On 16th June, 2006, Shanghai HealthDigit Company Limited (“Shanghai HealthDigit”), a wholly-owned subsidiary of the Group, entered into an Acquisition Agreement to acquire 51 percent equity interest in Shanghai Weiyi Hospital Investment and Management Co. Ltd (“Weiyi”) at a consideration of approximately HK\$58,252,000.

Founded in July 2003, Weiyi is principally engaged in two major business activities, namely (1) the operation of Shanghai Woman and Child Healthcare Hospital of Hong-Kou District, an established woman and infants specialty hospital in Shanghai founded in November 1982, and (2) the distribution of HPV Detection Products (HPV DNA diagnostic kits for cervical cancer screening) in the Asia Pacific region.

Following completion of the Acquisition Agreement on 14th August, 2006, Shanghai HealthDigit holds 51 percent equity interest in Weiyi and is the sole distribution agent of HPV Products in the Asia Pacific region for a period of 20 year from 7th June, 2006 to 6th June, 2026 through an exclusive agency agreement with Genetel Pharmaceuticals Limited (“Genetel”). Under the strategic partnership with Genetel, Shanghai HealthDigit will also become the sole manufacturer of HPV Detection Products in China and collaborate closely with Genetel in research and development of biochips used for early detection of diseases.

The acquisition provides an opportunity to the Group to transform part of the existing hospital facilities into a biomedical diagnostic laboratory for promotion and distribution of protein chips and HPV Detection Products. A strategic and synergistic opportunity is also generated to further strengthen the cancer screening product series into the area of cervical cancer screening and optimize its sales efforts in the established distribution network, particular in the China.

Business Model – A Global Approach

As discussed in the 2005 Annual Report, the Group would diversify its revenue sources and its product platform and the Group intends to establish a second revenue source, in addition to its own proprietary intellectual property (“PIP”) protein chip platform, by way of a licensed intellectual property (“LIP”) product platform. The Group intends to work with established research based institutions as partners in commercialization of successfully researched and licensed products which are used for early screening of diseases and which are complimentary to the existing products of the Group. The Group places emphasis to develop its product platform into three major revenue sources, namely cancer, cardiac and other diseases series based on both PIP and LIP sources.

The Group’s is focused on the screening and diagnostic market for the early detection and prevention of diseases and the collaboration with Genetel allows the Group to exploit a mass screening market for cervical cancer for women in the Asia Pacific region, including China.

Progress on the New Shanghai GMP Standard Compliant Factory

As described in the 2005 Annual Report, the Group is constructing a new factory to expand its production capacity in the Fengxian MA District of Shanghai. The progress of the construction is satisfactory, and is regularly inspected and approved by the relevant government departments in accordance with the construction schedule. Relevant applications will be made to the China State Food and Drug Administration for a Good Manufacturing Practice Certificate (commonly known as “GMP”) for the new plant. The Group is on schedule to begin trial production before the end of the year and it is expected that full production to begin in the first quarter of 2007.

Corporate Governance and Investors Relation Strategy

Unlike the more traditional form of business operations represented in the stock markets, the Group understands that its business nature is not easily understood by the investment community in Asia and believes that a more proactive channel of communication needs to be established to explain our business model and the potential of the market for early screening of diseases globally.

The Group continued with efforts to enhance investor relations during the first half of the year and the Group has established various means of communication channels in order that the Company’s management philosophy, operations and future investment and development strategies are communicated to existing shareholders and the investment community.

During the first half of the year, representatives from the Group had met with the investors and relevant parties for a total attendance of 88. By category, those who attended included fund managers (62%); analysts (16%); bankers (13%); media (4%) and others (5%). In addition, 5 roadshows and 2 investor forums were conducted with a total attendance of 60.

In the first half of the year, the Group has participated in corporate briefings to financial institutions organized by various international securities houses, including Goldman Sachs (Asia) LLC, UBS Securities LLC and BNP Paribas Peregrine Securities Limited, in Tokyo, Hong Kong and Singapore.

The Board believes that an effective practice in corporate governance and a disciplined approach to build a platform of communication with the investment community for bio-medical companies could enhance better value for the Group similar to that in the biotech stocks globally in the long term and achieve better shareholders' value.

PROSPECTS

The Group is pleased with the progress on the implementation of its business plans laid down in 2003 and is constantly reviewing and responding accordingly to the challenges and risks associated with the bio-medical and diagnostic industry. While China represents one of the largest and rapidly growing markets for healthcare products and services, it is a very unique market that requires a comprehensive understanding of the existing medical industry, regulations and operational mechanism.

The Group adopts a methodical and disciplined approach towards the implementation of business plans in the KM2003 Objectives for the strengthening of distribution network and process, continuous improvement of production process and efficiency, and the on time delivery of a diversified new and upgraded range of protein products for the detection of diseases. The Group believes that early screening and diagnosis of potentially fatal diseases would significantly improve the chances of successful treatment and raises the survival rate of the patients.

The concept of a screening test is performed to detect potential health disorders or diseases in persons who do not have any symptoms of disease. The objective is early detection and lifestyle changes or surveillance, to reduce the risk of disease, or to detect it early enough to treat it most effectively. Screening test also serves the purpose of raising awareness in one's health status. Screening tests are not considered diagnostic, but are utilized to identify a subset of the population who should have additional testing or diagnosis to determine the presence or absence of disease.

While minimizing unclear, ambiguous, or confusing results, a screening test is valuable in its ability to detect potential problems. While screening tests are not 100 percent accurate in all cases, it is more valuable to have the screening tests at the appropriate times, as recommended by a physician. Like in the situation of cancer tumors, it is demonstrated that early discovery of tumor presence could lead to early treatment and a higher probability of a cure or recovery.

The Group prides itself to offer a viable alternative to people who believe in early detection and prevention of diseases and in the past few years the Group has successfully in developing a market demand that never existed before for cancer screening. At the same time, the Group has plans to develop diagnostic protein chips for specific cancer tumor type to broaden the coverage on cancer products.

The construction of the new GMP standard compliant production facility in Shanghai is progressing according to schedule and its completion before the end of this year will allow the Group to meet the expected increase in demand for its protein chips beginning in the first quarter of 2007.

The Group is optimistic that by continually implementing business plans and strategies adopted in the year, the Group will be able to capitalize on its competitive edge and establish the Group as one of the leading biotechnology and healthcare service providers globally, particularly in China.

According to the World Health Organization for 2005, 7.6 million people or 13.0 percent of the 58 million deaths worldwide are caused by cancer. In China, cancer is the largest cause of death and it is estimated that more than 1.5 million people are diagnosed with cancer each year. The number of patients is likely to increase significantly in the next decade since the high-risk group, i.e. people over 40 years old and susceptibility to cancer increases dramatically with age, accounts for more than 30% of the total population in China.

There are currently over 20 million of new policy subscribers each year in China and the Group has been successful in establishing a new sales channel with the insurance companies to provide health checks on new life policy subscribers with relatively high payout policies.

The Group's cancer tests are attractive to the life insurance companies for three reasons:

- as part of the routine screening for new clients, helping the companies to reduce their exposure to customers that may be exposed to serious, maybe even fatal, illness;
- as part of an annual check-up service to premium clients; and
- as part of a feasibility study to develop a cancer healthcare product.

In the second half of the year, the Group will continue to expedite its business growth by actively pursuing new investment opportunities through strategic acquisitions or partnerships with good potential or synergies. Finally, the Directors believe that the Group will continue to enjoy respectable growth in sales in C12 products and to benefit from diversification into other protein chips in the foreseeable future.

LIQUIDITY AND FINANCING

The Group adopts a prudent approach in managing its liquidity and treasury function and sets out guidelines to achieve these objectives. These guidelines cover the Group's debt profile, financing horizon and interest rate risks management.

The Group's financial position continued to be healthy. As at 30th June, 2006, the Group had cash and bank balances of HK\$544.7 million (31st December, 2005: HK\$489.3 million). The Group's gearing ratio as at 30th June, 2006 was 46.7% (31st December, 2005: 52.8%), based on total borrowings of HK\$255.4 million (31st December, 2005: HK\$259.7 million) and shareholders' fund of HK\$546.6 million (31st December, 2005: HK\$492.3 million).

The Group's bank borrowings were denominated in Renminbi and Hong Kong Dollars. Bank borrowings totaling HK\$69.1 million were outstanding as at 30th June, 2006. Annual interest rate on bank borrowings denominated in Hong Kong Dollars and Renminbi as at 30th June, 2006 were approximately 5.92% and 4.86% respectively.

There is no material foreign exchange fluctuations exposure to the Group. Revenue generated from protein chips division, IT products and services division, and the payment for purchases of materials, components, equipment and salaries are made in Renminbi. Use of financial instruments for hedging purposes is considered unnecessary.

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of 2006 of HK\$0.01 (2005: Nil) per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 17th October, 2006. The dividend will be paid on 25th October, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 16th October, 2006 to Tuesday, 17th October, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 13th October, 2006.

PLEDGE OF ASSETS

As at 30th June, 2006, land and building with carrying value of HK\$5,875,000 (31st December, 2005: HK\$6,101,000) were pledged in favour of the bank to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30th June, 2006 and 31st December, 2005, the Group did not have any significant contingent liabilities.

COMMITMENTS

At the balance sheet date, the Group had following capital commitment:

	30th June 2006 HK\$'000 (Unaudited)	31st December 2005 HK\$'000 (Audited)
Contracted for but not provided for in the consolidated financial statements:		
– acquisition of 51% equity in Weiyi	58,252	–
– acquisition of property, plant and equipment	26,526	44,294
	<u>84,778</u>	<u>44,294</u>

EMPLOYEES

At 30th June, 2006, the Group had a total of 265 employees (31st December, 2005: 277 employees). Employee's remuneration, promotion and salary review are assessed based on job responsibilities, work performance, experience and prevailing industry practice.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the six months period ended 30th June, 2006. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares in the Company during the period.

CORPORATE GOVERNANCE

The Directors of the Company is not aware of any information that would reasonably indicate that the Company is not or was not for any part of the six months ended 30th June, 2006 in compliance with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except the followings:

- (i) Provision A.2.1 of the Code requires that the roles of the chairman and chief executive officer should be separate. During the period under review, the Company did not have any officer with the title "chief executive officer". The functions of chief executive officer were collectively performed by all the executive directors. Mr. Henry Chien acted as a chief coordinator for the different sources of management contributions and together with other executive directors collectively responsible for overseeing the operations of the Group. The Board considers that this arrangement allows contributions from all executive directors with different expertise. The Board will review, and if thought fit, change this practice later. Mr. Yao Yuan continues to serve as the chairman of the Company and be primarily responsible for providing leadership to the Board.

- (ii) Provision A.4.2 of the Code requires that every director should be appointed for a specific and subject to retirement by rotation at least every three years. During the period under review, the non-executive directors have not been appointed for a specific term and they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

Bye-law 109 of the Bye-laws of the Company provides that at each general meeting of the Company, with the exception of the executive chairman, one-third of the directors of the Company (or if their number is not three or a multiple of three, the then number nearest to but not exceeding one-third) who have been longest in office since their last election shall retire from office and the retiring directors shall be eligible for re-election.

Based on the number of directors as at 30th June, 2006, a non-executive director will serve on the board for a term of about two years until he/she becomes due to retire from the board by rotation. In the opinion of the directors, this arrangement meets the same objective as the Code.

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules as the code of conduct for Directors and Senior Management in their dealings in the Company's securities.

The Company made specific enquiries of each Director and member of the Senior Management, and each confirmed that he/she had fully complied with the Model Code during the period under review.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent.

AUDIT COMMITTEE

The audit committee is comprised of three Independent Non-executive Directors who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

The audit committee meets regularly to review the completeness, accuracy and fairness of the Company's financial statement. They consider the nature and scope of internal and external audit reviews. They also assess the effectiveness of the systems of internal control the Company has established to allow the board of directors to monitor the Group's overall financial position and to protect its assets.

The audit committee has reviewed with management, the Group's accounting principles and practices and discussed auditing, internal controls and financial reporting matters, including these unaudited interim results.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises one Executive Director and two Independent Non-executive Directors. It is chaired by Dr. Lam Lee G.. Other committee members are Mr. Henry Chien and Mr. Henry Lee.

PUBLICATION OF RESULT ON THE STOCK EXCHANGE

Information required by paragraphs 46 (1)-46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

The Directors of the Company as at the date of this announcement are as follows:

Mr. Yao Yuan, *Executive Chairman*

Mr. Chien Hoe Yong, Henry, *Executive Director*

Mr. Hu Jun, *Executive Director*

Mr. Yu Ti Jun, *Executive Director*

Dr. Lam Lee G., *Independent Non-Executive Director*

Mr. Hu Jin Hua, *Independent Non-Executive Director*

Mr. Lee Sze Ho, Henry, *Independent Non-Executive Director*

By Order of the Board
Mingyuan Medicare Development Company Limited
Mr. Henry Chien
Executive Director

Hong Kong, 19th September, 2006

* *For identification purposes only*

“Please also refer to the published version of this announcement in The Standard”